

Message Text

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S E C R E T STATE 139965 TOSEC 030007

EXDIS

E.O. 11652: GDS

TAGS: PFOR, OVIP (KISSINGER, HENRY A.)

SUBJECT: SPECIAL SUMMARY NUMBER 1: TELEGRAPHIC SUMMARY

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1. MAJOR FIGHTING IN ETHIOPIA

EMBASSY ADDIS ABABA HAS RECEIVED REPORTS OF MAJOR FIGHTING
JUNE 13-14 IN THE VICINITY OF ADDIS AS SOME 500 TO 2000
AMHARAS RESIST EMPG/DIRG EFFORTS TO IMPLEMENT THE LAND
REFORM PROCLAMATION.

2. ECONOMIC SLOWDOWN IN IRAN?

THE GOI SEEMS OFFICIALLY TO HAVE ACCEPTED THE GROWING
EVIDENCE THAT ATTAINING ALL OR EVEN MOST OF ITS AMBITIOUS
ECONOMIC DEVELOPMENT GOALS DURING THE REMAINING THREE
YEARS OF THE FIFTH DEVELOPMENT PLAN PROBABLY IS NOT
POSSIBLE.

--THE SHAH SUGGESTED RECENTLY THAT AS AN ANTI-INFLATIONARY
MEASURE, THE DEVELOPMENT PROGRAMS WHICH HAD BEEN PLANNED
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FOR THE NEXT THREE YEARS SHOULD BE STRETCHED OUT TO AS
MUCH AS FOUR AND ONE-HALF YEARS.

--RUMORS ALSO ABOUND THAT THE CUTBACK IS NECESSARY BECAUSE
IRAN'S FOREIGN EXCHANGE SURPLUS WILL SOON RUN OUT, FORCING

IT BACK ON THE WORLD CAPITAL MARKETS SOMETIME NEXT YEAR.

EMBASSY COMMENT: THE RUMORS ON RENEWED BORROWING ARE EXCELLENT PROPAGANDA TO MAKE IT APPEAR THAT A SUBSTANTIAL HIKE IN THE PRICE OF OIL IS NECESSARY FOR IRAN TO ACCOMPLISH ITS ECONOMIC GOALS. UNDOUBTEDLY A REASSESSMENT OF THE COUNTRY'S DEVELOPMENT OBJECTIVES AND PRIORITIES IS GOING ON IN THE LIGHT OF PERSONNEL AND MATERIAL SHORTAGES AND INFRASTRUCTURE BOTTLENECKS.

3. ITALY: RENEWED INTEREST IN ALLEGED BRIBES BY US MULTINATIONALS

US PUBLICITY CONCERNING THE BRIBERY OF GOI OFFICIALS BY US MULTINATIONALS (PETROLEUM COMPANIES AND UNITED BRANDS) HAS LED TO ITALIAN MEDIA DEMANDS FOR APPROPRIATE INVESTIGATIONS AND TO A REVIVAL OF JUDICIAL INTEREST IN THE MATTER. EMBASSY ROME REPORTS THAT THE ITALIAN NATIONAL POLICE HAVE NOW MADE TWO OFFICIAL REQUESTS FOR INFORMATION ON THE ACCUSATIONS AND OBSERVES:

--SCANDALS INVOLVING RELIANCE OF ALL POLITICAL PARTIES ON UNDERCOVER FINANCING FROM INDUSTRY AND COMMERCE ARE POTENTIAL POLITICAL DYNAMITE.

--WITH PROMINENT MEMBERS OF MOST POLITICAL PARTIES POSSIBLY INVOLVED IN THE SCANDAL, THERE HAVE BEEN WIDE-SPREAD CHARGES THAT THE PARLIAMENTARY INVESTIGATION WILL BE A WHITEWASH AND THAT THE ALLEGED MALEFACTORS WILL GET OFF.

EMBASSY COMMENT: SINCE MANY INVESTIGATING MAGISTRATES ARE HIGHLY POLITICIZED AND OFTEN LEAK SENSATIONAL INFORMATION TO THE PRESS, THE EMBASSY RECOMMENDS THAT ANY INFORMATION PROVIDED IN RESPONSE TO OFFICIAL ITALIAN REQUESTS BE HANDLED THROUGH FORMAL DIPLOMATIC CHANNELS.

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4. FRANCE: AFTERMATH OF F-16 DECISION

FRENCH PREDICTIONS OF SERIOUS ECONOMIC AND POLITICAL CONSEQUENCES SHOULD THE F-16 DEFEAT THE MIRAGE NOW SEEM HOLLOW, REPORTS EMBASSY PARIS. THIS "SETBACK" TO THE FRENCH AIRCRAFT INDUSTRY MAY ACTUALLY SPUR THE EUROPEAN MOVEMENT BY OBLIGING FRANCE TO MATCH ITS "EUROPEAN" RHETORIC WITH A MORE "EUROPEAN" PERFORMANCE.

THE EMBASSY WARNS, HOWEVER, THAT THE LOSS OF THE AIRCRAFT CONTRACT, COUPLED WITH EFFECTIVE DENIAL OF CONCORDE OPERATING RIGHTS IN THE US, COULD CREATE SERIOUS STRAINS IN FRANCO-AMERICAN RELATIONS GOING FAR BEYOND THE PROBLEMS CREATED BY EITHER EVENT IN ISOLATION. THE FRENCH LEADER-

SHIP HAS SHOWN THAT IT CAN SWALLOW THE MIRAGE DEFEAT, BUT A SIMILAR FATE FOR CONCORDE WILL NOT BE SO EASILY TOLERATED.

5. SPAIN: NO ASSURANCE ON DEFENSE COOPERATION

IN A JUNE 11 CONVERSATION, SPANISH MFA DIRECTOR GENERAL OF NORTH AMERICAN AFFAIRS PERINAT EXPRESSED CONCERN OVER THE US TENDENCY TO ASSUME THAT SPAIN WOULD REMAIN A DEFENSE PARTNER REGARDLESS OF THE OUTCOME OF THE BASE NEGOTIATIONS. ALTHOUGH THE GOS WANTS TO CONTINUE DEFENSE COOPERATION, THERE IS NO ASSURANCE OF SUCH CONTINUATION IN THE ABSENCE OF SATISFACTION OF BASIC SPANISH DEMANDS. PERINAT:

--NOTED THAT THE GOS EXPECTS A CONCRETE US RESPONSE IN JUNE TO THE SPANISH PROPOSALS OF THE APRIL ROUND;

--INSISTED THAT NEUTRALITY WAS A SERIOUS OPTION FOR SOME SENIOR OFFICIALS, RATHER THAN A BARGAINING TACTIC.

6. EC CONSIDERS "COMMUNITY ACTION" PROGRAM FOR PORTUGAL

THE EC FOREIGN MINISTERS WILL ON JUNE 24 CONSIDER A NEW "COMMUNITY ACTION" INVOLVING SUBSTANTIAL FINANCIAL AID
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FROM THE MEMBER STATES TO BE CHanneled ON A PRIORITY BASIS THROUGH THE COMMUNITY TO PORTUGAL. THE ASSISTANCE WOULD NOT BE CONSIDERED AS MERELY ADDITIVE BILATERAL AID, BUT A "COMMUNITY ACTION" OF A TYPE NEVER ATTEMPTED BEFORE.

--A SENIOR EC OFFICIAL, HOWEVER, EXPRESSED DOUBT THAT THE COMMUNITY WOULD SET UP ANY NEW INSTRUMENTS JUST FOR PORTUGAL AND WOULD MORE LIKELY PUT SOME KIND OF "EUROPEAN" LABEL ON WHAT WOULD IN FACT BE COORDINATED NATIONAL ASSISTANCE;

--COMMISSION OFFICIALS REALIZE THAT UNILATERAL EC-9 AID WOULD NOT ONLY BE MORE QUICKLY AVAILABLE THAN EUROPEAN INVESTMENT BANK ASSISTANCE, BUT COULD BE STOPPED MORE READILY IF THE INTERNAL PORTUGUESE SITUATION GOES SOUR.

7. FRENCH VIEWS ON INDOCHINA: THE PRC AND "TONKINESE EXPANSIONISM"

EMBASSY PARIS REPORTS THAT QUAI ACTING DIRECTOR FOR ASIA BOLLE THINKS THAT A NATIONALIST BRAND OF COMMUNISM WILL WIN OUT IN LAOS OVER A VIETNAMESE VERSION BECAUSE OF PRC ENCOURAGEMENT OF NATIONALIST FORCES. ACCORDING TO BOLLE, THE PRC:

--WILL THWART DRV EFFORTS IN LAOS AND BLOCK AN EXTENSION
OF HANOI'S CONTROL TO THE THAI FRONTIER;

--ENCOURAGES DIVERSITY IN INDOCHINA AND WISHES TO SLOW
UP "TONKINESE EXPANSIONISM," THUS PLAYING A HELPFUL ROLE.

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